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*To ensure access to high-quality,  
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care to Los Angeles County residents  
through direct services at DHS facilities  
and through collaboration with  
community and university partners.*



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September 16, 2014

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**L.A. CARE HEALTH PLAN AGREEMENTS  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request delegated authority to execute successor/replacement capitated Provider Services Agreements and an amendment to the Transition and Safety Net Support Agreement with L.A. Care Health Plan.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Delegate authority to the Director of Health Services (Director), or his designee, to negotiate and execute successor/replacement capitated Participating Provider Group (PPG) Agreement and Hospital Services Agreement (HSA) (collectively referred to as "Provider Services Agreements") with L.A. Care Health Plan (L.A. Care), at continuing capitation rates from the existing provider agreements or at new capitation rates to be negotiated, subject to applicable rates released by the State, and the overall financial impact to the County of Los Angeles, Department of Health Services (DHS) as a result of the Provider Services Agreements and other related payments received or made by DHS, for the Medi-Cal Managed Care Program and the PASC-SEIU Homecare Workers Health Care Plan, effective upon the date of full execution but no later than April 1, 2015 and co-terminus with the Transition and Safety Net Support Agreement (TSN Agreement) between DHS and L.A. Care, subject to review and approval by the County Counsel and with

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

22 September 16, 2014

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

notification to the Board of Supervisors (Board) and the Chief Executive Office (CEO).

2. Delegate authority to the Director, or his designee, to negotiate and execute amendments to the Provider Services Agreements as described in Recommendation Number 1 above to: (a) reflect new and/or adjusted rates as the State releases new rates and/or adopts new rate setting methodology, (b) adjust existing rates due to transfer between the parties of the financial responsibility to provide for or pay for medical and other covered services, changes in assumption of delegated functions (e.g. utilization management, credentialing, claims processing), and/or change in financial risk arrangement (e.g. full risk, shared risk, modified or combination risk); with these services to be performed/provided, or arranged by one party with reimbursement from the other party to be at no more than cost (actual cost, or estimated cost if calculated and paid through an adjustment to DHS' per member per month capitation payment) taking into account the overall financial impact of these changes to DHS fiscal viability, (c) add provisions related to Intergovernmental Transfers, (d) update and/or incorporate new State/Federal law and regulations, County provisions and other regulatory/contractual requirements, (e) make appropriate changes to contract language for clarity and efficiency (administrative, programmatic, and operational), and (f) add other health insurance that L.A. Care provides, such as, but not limited to Medicare Advantage, Cal MediConnect and Covered California at negotiated rates, in accordance with parameters described in (a) and (b) of this Recommendation Number 2, subject to prior review and approval by the County Counsel and with notification to the Board and the CEO.

3. Delegate authority to the Director, or his designee, to: (a) negotiate and execute an amendment to the TSN Agreement between DHS and L.A. Care to reflect changes in the ongoing safety net support activities between the parties, the terms of which in alignment with the applicable provisions of the Provider Services Agreements, and (b) negotiate and execute future amendment(s) to the TSN Agreement to: (i) add or modify safety net support activities, (ii) update and/or incorporate new State/Federal law and regulations, County provisions and other regulatory/contractual requirements, and (iii) make appropriate changes to contract language for clarity, subject to prior review and approval by the County Counsel and with notification to the Board and the CEO.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The implementation of the Patient Protection and Affordable Care Act (ACA) in California requires the majority of Medi-Cal beneficiaries to receive health care services through managed care delivery systems. In Los Angeles County, health care services are provided through the "Medi-Cal Managed Care Two-Plan Model" by which beneficiaries have their services coordinated and overseen by two health plans, L.A. Care and Health Net of California, Inc., that contract with the State Department of Health Care Services.

DHS has partnered with L.A. Care for the provision of health care services to the Medi-Cal Managed Care Program population, either as a Plan Partner under the DHS' Community Health Plan (CHP) or as a participating network provider, since October 1997. On March 29, 2011, the Board approved the transition of the CHP (as the management services organization for DHS) to L.A. Care in order

for DHS to concentrate on being the key provider of health care services for Medi-Cal and the uninsured population in Los Angeles County. In addition, the Board also approved the transfer of all CHP lines of business to L.A. Care. The parties entered into new Provider Services Agreements effective January 1, 2012 to reflect these changes.

Subsequently, in February 2012, DHS transferred the administration and operations of the County's health insurance for the In-Home Supportive Services (IHSS) Workers to L.A. Care, with DHS serving as the primary provider network for the majority of L.A. Care's PASC-SEIU Homecare Workers Health Care Plan beneficiaries.

The current Provider Services Agreements with L.A. Care had expiration dates of September 30, 2014. Using the delegated authority approved by the Board on March 12, 2013, DHS and L.A. Care agreed to extend the term of the Provider Services Agreements on a month to month basis, not to exceed six months, through March 31, 2015 to allow both parties ample time to complete the negotiation of the successor/replacement agreements.

Approval of the first recommendation will allow DHS to execute successor/replacement agreements and continue as a contracted capitated provider for its entire provider network of hospitals, outpatient/regional health centers, comprehensive health centers and health centers (collectively known as the "DHS Provider Network") with both L.A. Care's Medi-Cal Managed Care Program and PASC-SEIU Homecare Workers Health Care Plan. To the extent that DHS and L.A. Care cannot complete the negotiation of the successor/replacement agreements within the six months term extension, the effective date of the successor/replacement agreements will be April 1, 2015. Without these Provider Services Agreements, DHS will not be able to retain the membership of existing patients currently being cared for by the DHS Provider Network and the revenue generated from this membership.

Approval of the second recommendation will permit DHS to participate in L.A. Care's other insurance programs and products, such as Medicare Advantage, Cal MediConnect, and Covered California. Approval of this recommendation will also permit DHS to amend the Provider Services Agreements in a timely manner for new/adjusted capitation rates, changes in financial arrangements and delegated activities, provision of funding for Intergovernmental Transfers between DHS, L.A. Care and the State, changes in State and/or Federal laws and regulations, County and other regulatory or contractual requirements, clarification of contract language and other contract terms and conditions to ensure DHS' continued operational, administrative and programmatic efficiency and fiscal viability.

#### Transition and Safety Net Support (TSN) Agreement

In January 2012, DHS and L.A. Care entered into a multi-year TSN Agreement through December 31, 2021 to provide for the transfer of health plan operations from CHP (a County-owned and operated Knox-Keene licensed Health Maintenance Organization) to L.A. Care consistent with the Board action of March 29, 2011. In addition, the TSN Agreement establishes the framework of financing between DHS and L.A. Care under the Provider Services Agreements and long-term financial support of the DHS safety net system.

At the time of the TSN's execution, DHS and L.A. Care based the development of safety net support activities on then State Medi-Cal rate-setting methodologies and funding formulas. However, in Fiscal Year 2013-14, as part of California's adoption of the ACA Medicaid Expansion, the Medi-Cal safety net funding methodologies and formulas were significantly changed rendering the approach in the TSN Agreement obsolete. These funding changes were reflected in the Fiscal Year 2013-14 State budget and related AB 85 legislation. Consequently, the safety net support component of the

TSN Agreement requires revision.

Approval of the third recommendation will allow DHS to amend the TSN Agreement to reflect modifications to the ongoing safety net activities between DHS and L.A. Care resulting from changes in State rate-setting methodology and adoption of various funding mechanisms as required under AB 85, in alignment with applicable terms and conditions embodied in the Provider Services Agreements.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 1, Operational Effectiveness/Fiscal Sustainability and Goal 3, Integrated Services Delivery of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

#### **Provider Services Agreements**

The Provider Services Agreements are intended to maximize revenue needed to support DHS as a safety net provider, under which DHS is assigned L.A. Care Members and have their care at DHS.

#### **Transition and Safety Net Support (TSN) Agreement**

The TSN Agreement is intended to serve as the framework of financing between DHS and L.A. Care under the Provider Services Agreements and long-term financial support of the DHS safety net system.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

#### **Provider Services Agreements**

On March 1, 2011, the Board granted delegated authority to the Director to negotiate and execute Provider Agreement for Medi-Cal Managed Care Program-Seniors and Persons with Disabilities (SPDs) with L.A. Care as required under the California 1115 Waiver via two types of agreements: Participating Provider Agreement H-704704 and Hospital Services Agreements were executed and became effective May 1, 2011 through September 30, 2014.

Subsequently, both agreements were amended accordingly to include Medi-Cal Managed Care Program-Non-SPDs, Healthy Families Program, and IHSS Program. The most recent amendments to the agreements included changes in capitation rates, division of financial responsibility, and delegated activities and term extension of the agreements on a month to month basis, not to exceed six months, through March 31, 2015 to allow sufficient time for both parties to negotiate the successor/replacement agreements.

#### **Transition and Safety Net Support (TSN) Agreement**

On November 8, 2011, the Board granted delegated authority to the Director to execute the TSN Agreement with L.A. Care to serve as the framework for the implementation of the policy direction approved by the Board to transition the CHP staff to function as the management services organization for DHS, concentrate DHS resources on being the key provider of health care for Medi-

Cal and uninsured population in Los Angeles County and transition all CHP lines of business to L.A. Care to assume all health plan functions.

Effective January 1, 2012, DHS and L.A. Care entered into a multi-year agreement through December 31, 2021 that sets forth financial considerations related to the CHP transition and other ongoing safety net financial terms and conditions.

#### Agreement Negotiations

As with other payor contracting, DHS will use the standard provider template agreement provided by L.A. Care in order to expedite negotiations and execution of the agreements. Such contractual requirements will comply with State law and the required provisions set forth by the California Department of Managed Care. These standard agreements will contain mutual indemnification clauses and require use of binding arbitration to resolve disputes.

### **CONTRACTING PROCESS**

Delegated authority to enter into L.A. Care Provider Services Agreements does not require DHS to undergo a competitive contracting process to determine which health plan DHS enters into agreements with or provider network participation. This is because the State Department of Health Care Services held a competitive process to determine which health plans can operate under the Medi-Cal managed care program in Los Angeles County. DHS must enter into agreements with the two health plans that have contracts with the State Department of Health Care Services, which are L.A. Care and Health Net of California, Inc.

As funding for the PASC-SEIU Homecare Workers Health Care Plan is partly provided by the County, the L.A. Care provider network for this program will continue to be comprised mainly of the DHS Provider Network.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Successful implementation of these recommendations will allow DHS to retain existing members and maximize revenue generated from health plan contracts and continue to support the DHS safety net system.

The Honorable Board of Supervisors

9/16/2014

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Respectfully submitted,

A handwritten signature in black ink, reading "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:ln

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors